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SUBJECT: VIETNAM'S PLACE IN THE SUN: SINGAPORE'S VIEW

REF: SINGAPORE 03224

11. (SBU) SUMMARY: Singapore is actively promoting closer economic and diplomatic ties with Vietnam as an up and coming regional leader worth cultivating. Singapore is already Vietnam's largest source of foreign direct investment, and bilateral trade has grown at a 20-percent annual rate over the last six years. Senior GOS officials visit Vietnam regularly and are hailing Vietnam as Southeast Asia's next big success story in private conversations and public speeches. Some observers believe that Singapore sees Vietnam as a potential counterweight within ASEAN to neighboring Malaysia and Indonesia, with which Singapore's relations are sometimes testy. The pace of high-profile GOS visits, the bullish comments of senior officials, and the tone of the local press coverage suggest that Vietnam figures in Singapore's long-term strategic plans as a future major regional player. END SUMMARY.

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Bilateral Ties Growing  
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12. (U) As one of Asia's best performing economies, Vietnam is increasingly visible on Singapore's economic and political radar, and the Government of Singapore (GOS) has stepped up efforts to deepen bilateral ties. Singapore is already a major economic partner for Vietnam. It is Vietnam's largest source of foreign direct investment and its fourth largest export market. Government-Linked Corporations (GLCs) investing in large-scale projects led Singapore's investments in Vietnam. Among them, the Vietnam-Singapore Industrial Park (VSIP) has attracted US\$1.5 billion and currently provides 40,000 jobs in the Ho Chi Minh City area. A second Vietnam-Singapore Industrial Park II (VSIP II) is currently under construction in Binh Duong Province. Cumulative Singapore FDI in Vietnam stands at US\$7.4 billion (according to GOS figures provided by Vietnam's Ministry of Planning and Investment), much of which is focused in the real estate, food and beverage, and transport sectors.

13. (U) Singapore's efforts have been paying off. Total bilateral trade with Vietnam grew at rates averaging 20 percent per year between 2000-2005, and in 2005 reached US\$6.7 billion. Vietnam exports primarily crude oil, seafood, computers and components, machinery, equipment and spare parts to Singapore. Singapore's exports include plastic goods, computer and office equipment, fertilizers, machinery, equipment and spare parts. Singapore has enjoyed a consistent trade surplus, which totaled US\$2.6 billion in 12005.

14. (SBU) Singapore has actively cultivated closer ties with Vietnam. Since 2005, numerous high-level officials have visited Vietnam, including Prime Minister Lee Hsien Loong in September (bilateral) and November (to attend APEC). In December 2005, Singapore and Vietnam signed the Framework

Agreement on Singapore-Vietnam Connectivity under which the two governments pledged to encourage cooperation in trade and services, education, finance, transport, investments and information technology. MFA Deputy Director for Vietnam Adrian Tan told us such visits and Singapore's GLC-led investments reflect the deepening GOS-Vietnam bilateral relationship.

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Building Up a New Regional Player?  
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15. (SBU) Recognizing the competitive challenges China poses for Southeast Asia, the GOS has long sought to hasten ASEAN regional integration. In October, MFA Second Permanent Secretary Bilahari Kausikan reiterated to a visiting U.S.

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official that ASEAN needed to "integrate more deeply" to be effective as a counterweight to China (Ref A). Some observers in Singapore believe that Vietnam's vibrant economy, stable political system, territorial size and past military successes make it a natural future leader within the region and ASEAN.

16. (SBU) Singapore officials have been consistently bullish in their public and private comments about Vietnam in recent months, suggesting the GOS may be thinking of a closer partnership with Vietnam within ASEAN. Minister for Trade and Industry Lim Hng Kiang has called Singapore-Vietnam relations a "winning connection." During his visit to Vietnam in September, Prime Minister Lee Hsien Loong's speech highlighted the many shared interests and perspectives of the two countries, including on the need for ASEAN integration, and suggested that Singapore and Vietnam should "pool our resources and bring together the ASEAN member states as a

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strong and robust economic community." Singapore's government-controlled media have given Vietnam extensive and glowing coverage of late. The largest newspaper in Singapore, the Straits Times, touted Vietnam's success as the host of APEC in November with the headline "Vietnam the New ASEAN Star."

17. (SBU) Vietnam experts in Singapore think-tanks offered different views on Singapore's objectives in developing a more robust relationship with Vietnam. Ng Chia Sue from the Institute of Defense Securities Studies told us that Singapore sought closer ties with Vietnam as a way to counterbalance Malaysia and Indonesia, two major players in ASEAN with periodically testy relations with Singapore. Vietnam's potential as a political and soon-to-be economic heavyweight in the region makes it an attractive partner for Singapore. Ng suggested that sustained GLC investment in Vietnam for a number of years would give Singapore leverage to build such a partnership.

18. (SBU) However, Dr. David Koh, a prominent Vietnam-watcher at the Institute of East Asian Security Studies, argued that political motivations were not the primary factors in Singapore's investments in Vietnam. They were based on sound business calculations. The bilateral relationship between the two countries was rather shallow, argued Koh, lacking depth on the social, cultural, and non-GLC-led business sides. Furthermore, Koh thought the Government of Vietnam (GVN) continued to harbor suspicions of Singapore because of its close ties to the United States.

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Comment  
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19. (SBU) The attention Singapore officials and media are lavishing on Vietnam indicates the GOS sees it as an up-and-coming regional player. Singapore undoubtedly wants

to continue profiting from Vietnam's growth, but its heavy GLC-led investment and diplomatic overtures suggest it also wants to encourage Vietnam's emergence and perhaps cultivate it over the long-term as a close partner within ASEAN. From Singapore's perspective, it would be a natural partnership. Vietnam appears to have overlapping trade and strategic interests -- in managing China's reemergence, for example -- and would not bring to the table the historical religious and ethnic baggage that so often vexes Singapore's relations with its nearest neighbors. End Comment.

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